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## THE LESSONS OF THE PANIC OF 1907

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Notwithstanding the fact that panics have occurred in nearly every decade of this century, in some one or more of the great commercial countries of the world, all due more or less to the same primary causes, and that volumes have been written for the enlightenment of future generations setting forth the causes and lessons of each crisis as it occurred, the financial convulsion of 1907 proves that the lesson must be constantly relearned and that the human will is too weak to resist the impelling greed for wealth and ambition for commercial power. Every effort, therefore, to teach the lessons of the panic of 1907 should be eagerly grasped in the hope, however illusive, that it may point out to future generations of business men the dangerous currents that lead to disaster, and how to avoid them.

Much of our trouble has been caused by the blind worship by the lesser lights of the great commercial and financial luminaries. Men famed for wealth, however acquired, in charge of the great financial organizations, have allowed their names to serve as the loadstone to draw the small investor into innumerable unsound financial schemes which, had he carefully investigated as he does matters pertaining to his own business, he would have scrupulously avoided. The small investor may, therefore, learn that however attractive the prospectus, however alluring the promised profit, however great and high the promoter, his own careful investigation and the application of his own sound business judgment must be the only safe guide to his investment.

The promoter should learn from this panic that he must be classed either as an honest architect of sound financial plans or an ordinary grafter, and that there is a field for the wise and foreseeing student of conditions and opportunities, which he can honestly make attractive to investors, while for the unscrupulous promoter of get-rich-quick concerns, the dishonest predator upon innocent wealth, there yawns the jail or the suicide's grave.

In this connection the press, through the medium of which nearly all great undertakings are advertised, may also learn its lesson. Many of our most prominent newspapers have, for money payments, been accessory to the frauds which have been perpetrated upon the public. They have advertised mining companies whose sole possessions consist of a hole in the ground in some remote district in the West, and a sumptuous office in the neighborhood of Wall Street, stocked with clippings inspired and paid for, which they widely disseminate among the public. The proper functions of a newspaper, viz., the education of the people and the molding of public opinion in legitimate channels, seem to have been forgotten in the mad rush to increase circulation and dividends, and many sheets made famous by their great founders, to-day publish anything for which pay is received, or which will make the paper sell.

These newspapers thus become *particeps criminis* to many of the wind-inflated schemes, the bursting of which, with their consequent losses has helped to destroy confidence. While the freedom of the press is guaranteed under our constitution and is a most valuable safeguard of our public liberty, papers publishing dishonest financial schemes, sure-thing racing tips, injurious patent-medicine advertisements, the claims of indecent and fake medical practitioners, etc., should be just as much subject to fine or suppression, and their owners to imprisonment, as the individual who steers the innocent into a gambling den.

The merchant who has expanded his business upon the liberal credits proffered by note brokers, to such an extent that he has looked upon such borrowed money as a part of his capital, has suffered likewise during these strenuous times, and he can well and profitably learn that unwieldy stocks of goods and too liberal lines of credit in times of great business activity, may become the boomerang of disaster in the kaleidoscopic changes which our affairs frequently undergo. He should also learn that his capital should be kept liquid and in his business, and not invested in the stocks of other companies, which cannot be converted into cash when needed, nor used as collateral for credit.

The manufacturer has been a party to the mistake of the merchant, in overselling his output, delaying shipments in the season when the goods might be sold and forcing the merchants to antici-

pate their wants long in advance of any certainty of proportionate demand. The cancellation of orders he is compelled to accept and the shutting down of his mills may well teach the folly and unfairness of this course. The manufacturer may also learn that the enlargement of plants, the installation of new machinery on borrowed money, is a dangerous practice and that, though with apparent success, he is building upon a foundation of sand.

The banker has also his lesson to learn, from the occurrences of the past few months. He must know that the man entrusted with the liquid capital of the nation and with the savings of the multitude, should not be a gambler or speculator in real estate and stocks. He must know that the funds entrusted to him are as sacred from his own depredations as from the cracksman who blows his vaults. He should see clearly that he must choose his profession, and that if it be that of a banker in a state or national institution, he must disassociate himself from speculation and schemes, and devote his entire time, thought and energy to the interests he has sworn to conserve. The contrary course pursued in a few instances, in New York and elsewhere, has done much to destroy confidence and has caused the extraordinary hoarding of money, resulting in the panic of 1907.

The public servants, such as the railroads, steamship lines, trolley companies, etc., must have learned ere we reached the acute stage of this panic, that the people cannot "be damned," that monopoly, though in the nature of things an incident to their franchises, cannot disregard the life and comfort of the public, that in future they must not wait to be forced to treat the public fairly, but must meet them and redress their wrongs willingly and even anticipate their wants, unless they wish to imperil their very existence. On the other hand, the public must not be unreasonable or unjust, and must not expect a service disproportionate to the traffic. Our wonderful growth in the past century has been to a large extent attributable to the rapid extension of our railroads and their efforts to settle immigration along their lines.

The individual termed statesman, but more often deserving the cognomen of politician, may well learn a most important lesson in fidelity to his country and appreciation of her needs. He is most often chosen, not for his peculiar fitness for his duties, but because he is a "good fellow," a liberal spender and a good stump speaker.

He frequently goes to our legislative halls without even a familiarity with the Constitution of his country or of his native state. But few know the first principles of the important questions of tariff, finance or revenue. Most measure a question by how it will look to their constituents and often prefer to vote wrongly than correctly, subject to the necessity of explaining at home. We learn that we must send better men to make our laws, and that real students, politically disinterested, should be consulted in framing our important measures.

No greater evidence of the lack of patriotism or inability of our legislators can be shown, than their attitude on the currency question now pending. This question, involving the very fundamentals of our commercial and financial systems, is at this moment the subject of political bickerings and policies that are a disgrace to the nation. Our Senate committee has framed an iniquitous bill which is shamefully in the interest of a few private bankers who hold a large amount of unsold railroad and municipal bonds, and is without a scintilla of the principles of sound finance; but, being a "party measure," we have still to hear the voice of a single Republican in protest. The House committee in turn has presented a bill which is violently socialistic, providing that the strong and safe bank shall guarantee the weaker ones, making the banker who conducts his business safely and conservatively, pay for the deficiencies of those who are reckless and inexperienced. Yet, we hear no violent protests against this bill, which is contrary to every constitutional principle of right. Must we learn from this that our legislators are without the ability to frame a proper and consistent law, or that they are lacking in fidelity to their country and shirking their responsibility for fear of losing office? Let these gentlemen learn the valuable lessons of the hour and read the clear handwriting on the wall, that unless this Congress passes sound currency legislation and makes proper amendments to the national banking law, we may be called upon to write the lessons of the panic of 1908; and with the distrust of capital and the suffering of labor incident thereto, the next lesson may entail internal social and political complications the contemplation of which may well cause even the conservatives serious alarm.

Our great Executive can learn mighty lessons from the present. He should realize that the man does not exist, who knows every-

thing from the law of the Sagas to bear killing in the swamps, that the greatest men have been either the specialists or those who, with the acumen and judgment of human nature, have had the capability to select wise advisers. He should study conditions and apply remedies in such doses as will cure and not kill the patient. He should be careful in correcting evils and punishing wrongdoing, not to inflict greater injury upon the innocent than on the guilty. He should learn more the use of expert commissions, and have more regard for their recommendations. Men can be selected in this great country, capable of judiciously solving any question for the public good, but they are men whose vocations, study and training have peculiarly fitted them. His hold upon the affections of the public and his unimpeachable honesty and strong patriotism, place him in a better position for the correction of existing evils and the betterment of our conditions, than any other who has ever sat in the Executive's chair, and it requires but the application of carefully thought-out methods with sound and conservative principles of good government, to bring about the restoration of confidence and the return to normal social and financial conditions.

The people must learn that extravagance is not comfort and that ostentatious display of wealth not only denotes illbreeding, but promotes anarchy and socialism. They must learn something of that quality which the Germans call "*Gemuthlichkeit*," which means comfort and contentment, the willingness to be satisfied with prosperity without stretching every enterprise to the point of breaking. They should become imbued with a greater desire for the modest comforts of home life, and in turn instill such ideas into their children, so as to change at least that characteristic of our people, that we term "*strenuousness*," into a more modified form of applied energy. They must discontinue their antagonism to wealth and corporate power when not exercised for evil, and must have the courage to do right and to be fair to all men, whether they be the representatives of millions or the toilers by the day. They must not believe, because some railroad presidents employ their offices in stock jobbing, or some bankers prostitute their offices for gain, or some politicians are corrupt, that all men in such professions are of similar character.

Let us then all learn that industry and effort and venture must have their reward; that men do not traverse the Plains, tunnel the Rockies and divert the courses of streams, simply to find investment

for capital to make a moderate interest; and that, therefore, prospective results may be justly if not excessively capitalized.

Many more lessons might be referred to, but the salient ones have been given, and we can learn to encourage our neighbor in the conviction that we live in a land blessed with the sweetness of health and plenty, needing but the magic touch of higher education, deeper home patriotism and greater confidence in each other.